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Who Really Owns Your Stocks? Hint: It's Not You

Monday, July 20, 2009 | Barbara Cohen

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So, do you think you own the stocks you've bought?

Think again.

For those of you who have not heard of the Depository Trust & Clearing Corp. (DTCC) and you own stocks ... sit down. This might change your your whole way of thinking.

Who is the DTCC and what does it do? The DTCC actually provides clearing for 3.5 million securities from the United States and, get this, from 110 other countries and territories as well -- all valued at roughly \$28 trillion. In 2008 alone, the DTCC settled more than \$1.88 quadrillion in securities transactions.

The DTCC is also the registered owner and holder of *your* stock.

At present, the DTCC holds \$23 trillion in assets. It has a virtual monopoly on clearing. In fact, 99% of all stocks in the USA are legally owned by it.

When Was the Last Time You Saw a Stock Certificate?

Remember the good old days when you bought a stock and received a certificate for it? The SEC changed that law and went from stock certificates for individual investors to, well, your broker holding the certificate for you so that he or she will be able to legally trade it on your behalf.

The stock certificates were issued in the name of the brokerage ... remember, just so they could trade them for you. In reality, you became the *beneficiary* of the stocks you bought rather than the *owner*.

But the SEC, out of the goodness of its heart, changed the laws again, so that now the brokers can't have the stocks in their name. Instead, the stocks must be placed in the name of "Cede & Co."

The excuse you'll hear from your broker is that it is just a fictitious name used by the brokerage so it can trade your stocks for you because brokerages can't, by law, put the stock certificates in their name any longer.

To Whom, Exactly, Have You 'Ceded' Your Stocks?

What we have now suddenly all come to find out is the Cede & Co is actually not a fictitious name, but a subsidiary company of DTCC. In essence, DTCC owns probably 99% of all the stocks in the entire world.

This is how it works. You buy some shares of stock at your brokerage. Your broker tells you that, in order to do business on your behalf, you must give the brokerage power of attorney to buy and sell.

Therefore, your stock purchases are placed in a "street name" because, according to the SEC, no brokerage can place a stock in its own name. The brokerage then notifies the DTCC of the transaction.

The DTCC is a banking trust company and, by SEC regulation, cannot own shares in its own name, either. So it transfers the certificates to its subsidiary, Cede & Co.

What do you own?

What Our Readers are Saying

It's quite rewarding to be a part of a community who are willing to grow and learn and help each other along the way to financial independence. I feel grateful for the opportunity. – Bob D.

As Seen On ...



How about *nothing*?

And now you are not even the beneficiary. The brokerage is technically the beneficiary. You are *twice removed*!

Guess Who's Also Behind the Mortgage Mess

Recently, DTCC presented testimony before the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises. The hearing was on "Effective Regulation of the Over-the-Counter Derivatives Markets," just a couple of weeks ago, and the transcripts were just released.

The subcommittee is attempting to find out how mortgages could come to be packaged and then sold, and then re-packaged and resold many times over. Since DTCC owns 99% of all derivatives, it seems only fair that it would be called to give testimony.

Larry Thompson, general counsel for DTCC, applauded the good works of the DTCC. In his opening statement, he said, "Now, many of you may not have heard of DTCC before. That's purposeful. We have traditionally kept a low profile, given the critical nature of the role we play in U.S. financial markets." (Dah ... who would have guessed?)

In truth, DTCC knew all about the Collateralized Debt Obligation (CDO) markets, who owned what, how often the same collateral was used and repackaged, etc. Why? *Because they own it all.*

DTCC created a massive computer warehouse and keeps records of all CDO trades, all stock transactions, all derivatives, etc. It has a monopoly on clearing. And to justify its great job, Thompson added to his testimony. ...

"I'd submit to you Mr. Chairman, and Members of the Subcommittee, that had DTCC not had the foresight to create this Trade Information Warehouse and load the Warehouse with all these records of CDS trades in 2007, we might still be sitting here today in 2009 trying to sort out the total exposure of trading obligations following the Lehman bankruptcy, i.e., who traded with whom, at what point in time and at what price?"

Next time you are in the market to buy stocks, trade futures. You're only in the trade for four minutes or less. Not enough time for Cede & Co. to get their mitts on your money. ...

Barbara Cohen
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[The Tycoon Report](#)

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**MARTIN** · 6 years ago

What does the term "FULL DISCLOSURE" mean? I'm sure this clause is somewhere in the documents signed when opening an account or in the rules of stock trades. Obviously we no longer have any control over what happens when we purchase any security!

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**Steven** · 6 years ago

This for most of us is nothing new, since the inception of time it has always been the aristocracy of most societies that dictate how the common persons live while they continue to prosper. I don't find this to be nothing new or unusual and until us the common person decides that this no longer can continue to happen and make a stance greed will continue to thrive amongst the elite of the world.

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**DCMichael** · 6 years ago

Wow! This may well be the best written and informative article you have ever posted.

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**harold** · 6 years ago

does this also cover all ETFs & mutual funds?

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**David** · 6 years ago

jester112358 refers to the huge scandal of a European clearing house owned by DB. The only scandal in that case was that the accusations led to a huge investigation which produced no evidence of wrongdoing. The author of those accusations, was convicted, three times on appeal, for libel.

Clearing houses have replaced a paper based nightmare and they have never been seriously accused of any wrongdoing.

To suggest that the existence of clearing houses is a reason for engaging in extremely risky short term futures trading is a preposterous stretch!

What nonsense.

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**Sally** · 6 years ago

I do, indeed, remember the days of paper certificates; they could be held by your broker or sent to you. I always had them sent, and kept them in a safe deposit box. (A bonus was that they were really beautiful; if one was into design and aesthetics, they were a great example of engraving.) The downside was the difficulty in keeping track of reinvested dividends without brokerage computer records that we have now.

but the most important thing, IMHO, is what Nigel (post 5) said in paragraph 2: if the DTCC didn't keep track of all these transactions, they couldn't have gotten so complicated; more time and the necessity of people and companies actually keeping their own records would have served as a check to chaos. Coincidentally, I was just talking about stock ownership/paper certificates with my father the other day, making the point that all "own" is a paper statement with a list of shares; and I was just complaining that they were in a brokerage in street name, I didn't even know that a subsidiary of DTCC kept them. Does this mean I

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